

Message Text

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SUBJECT: ECONOMIC SITREP NO. 15, FRIDAY, NOVEMBER 19

REF: ROME 18887

1. SUMMARY. GOVERNMENT'S FORMAL SUBMISSION OF AMENDMENT EXTENDING APPLICABILITY OF WAGE ESCALATOR FREEZE FILLED TODAY'S HEADLINE. CHAMBER APPROVED A MONTHLY REBATE OF 2,000 LIRE (\$2.30) FOR 14 MONTHS TO MANY LOW-INCOME EARNERS IN COMPENSATION GASOLINE INCREASE WHICH WAS RATIFIED WITH SOME OF OTHER AUSTERITY MEASURES. COUNCIL OF MINISTERS TO FORMALLY APPROVE TODAY ANDREOTTI'S NEW 2,000 BILLION LIRE REVENUE BOOST. COUNCIL DECIDED TO EXTEND CAPITAL REPATRIATION AMNESTY LAW WHICH EXPIRES TODAY FOR 15 DAYS TO DECEMBER 3. LIRA UNCHANGED ON HIGH VOLUME. END SUMMARY.

2. ESCALATOR FREEZE/DECREE LAW FORMALLY AMENDED. GOVERNMENT FORMALLY PRESENTED AMENDMENT TO ITS DECREE LAW NOW BEING STUDIED IN PARLIAMENT SO AS TO EXTEND APPLICATION OF PARTIAL FREEZE TO ALL INCOME INCREASES FOR SALARIED WORKERS EARNING ABOVE 6 MILLION LIRE PER YEAR (50 PERCENT FREEZE ON SALARIES IN 6 TO 8 MILLION LIRE RANGE AND 100 PERCENT FREEZE OF SALARIES ABOVE 8 MILLION LIRE). WHILE THIS AMENDMENT TO GOVERNMENT'S ORIGINAL
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DECREE LAW WHICH APPLIED PARTIAL FREEZE ONLY TO WAGE INDEXATION

ESCALATOR INCREASES WAS ANNOUNCED BY PRIMIN ANDREOTTI IN HIS REPLY TO PARLIAMENT AT CONCLUSION OF DEBATE NOVEMBER 12, THE PASSAGE OF A WEEK SEEMS TO HAVE LULLED MANY INTO BELIEVING IT WAS NOT A SERIOUS INTENT. THUS THE FORMAL PRESENTATION IN PARLIAMENTARY COMMITTEE SEEMS TO HAVE TAKEN MANY BY SURPRISE AND WAS FRONT-PAGED WITH LARGE HEADLINES IN MOST MORNING DAILIES. THE MEASURE NO DOUBT INCREASES THE PRESSURE ON LABOR AND INDUSTRY TO ARRIVE AT A SATISFACTORY AGREEMENT IN THE TALKS ON COST OF LABOR, SINCE ESCALATOR FREEZE REMAINS AS AN ALTERNATE MEASURE SHOULD LABOR AND INDUSTRY FAIL TO PRESENT GOI WITH ACCEPTABLE PROPOSAL.

3. CHAMBER RATIFIES GASOLINE TAX INCREASE AND INCLUDES A REBATE. CHAMBER OF DEPUTIES RATIFIED IN SESSION NOVEMBER 18 GOVERNMENT DECREE RAISING PRICE OF GASOLINE BY 25 PERCENT (FROM 400 TO 500 LIRE PER LITER--ABOUT \$2.17 PER GALLON), AMENDED BY A PROVISION WHICH WILL PERMIT A REBATE TO MANY LOW-INCOME PERSONS. SPECIFICALLY, THE AMENDMENT PROVIDES FOR A REBATE OF 2,000 LIRE PER MONTH (\$2.30) BEGINNING NOVEMBER 1 AND LASTING UNTIL DECEMBER 31, 1977 TO SALARIED WORKERS EARNING LESS THAN 6 MILLION LIRE A YEAR, TO SELF-EMPLOYED WORKERS WITH BUSINESS INCOME OF LESS THAN 4.5 MILLION LIRE A YEAR, AND TO MEMBERS OF AGRICULTURAL COOPERATIVES. ESTIMATED LOSS IN REVENUES ACCORDING TO PRESS IS 300 BILLION LIRE. CHAMBER ALSO RATIFIED THE INCREASED WITHHOLDING RATE ON DIVIDENDS FROM 30 PERCENT TO 50 PERCENT AND THE 7 PERCENT SURCHARGE ON FOREIGN EXCHANGE PURCHASES.

4. COUNCIL OF MINISTERS MEETS TODAY. COUNCIL OF MINISTERS IS MEETING TODAY AND IS EXPECTED TO FORMALLY APPROVE THE TWO FISCAL MEASURES ANNOUNCED BY PRIMIN ANDREOTTI IN HIS PRESENTATION TO PARLIAMENT LAST WEEK; I.E., THE ADVANCE PAYMENT IN SEPTEMBER 1977 BY SELF-EMPLOYED TAXPAYERS AND CORPORATIONS OF 75 PERCENT OF INCOME TAX ANTICIPATED FOR THAT YEAR (1,500 BILLION LIRE IN 1977), AND THE INCREASE IN REGISTRATION AND STAMP TAXES (500 BILLION LIRE). ACCORDING TO BANK OF ITALY SOURCE, NOVEMBER 19 DEADLINE OF CAPITAL EXPATRIATION AMNESTY HAS BEEN EXTENDED FOR 15 DAYS TO DECEMBER 3.

5. MONEY MARKETS. MARKET DEVELOPMENTS: ON NOVEMBER 19 LIRE 865.35 COMPARED TO 865.45 ON PRECEDING DAY ON RISING VOLUME. STOCK MARKET INDEX UP 2 PERCENT ON NOVEMBER 18. MONEY AND BOND MARKETS UNCHANGED IN WEEK. BEAUDRY
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